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SUBJECT: 2006 INVESTMENT CLIMATE STATEMENT - THE NETHERLANDS

REF: STATE 202943

¶1. The following transmits the draft 2006 Investment Climate Statement (ICS) for the Netherlands. This update corresponds with Chapter VI in the FY 2006 Country Commercial Guide. The full text of the ICS has been forwarded by e-mail to EUR/IFD/OIA to the attention of J. Nathaniel Hatcher and Paul A. Brown. Any questions regarding the Netherlands ICS should be directed to Jasper Jorritsma in Embassy The Hague's Economic Section, at 011-31-70-310-2276, or by e-mail at jorritsmaj@state.gov

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A.1. Openness to Foreign Investment

¶2. The Netherlands' trade and investment policy is among the most open in the world. With combined merchandise exports and imports virtually equal to GDP, the Dutch economy is one of the most internationally oriented in the world. The Netherlands remains among the world's five largest suppliers of investment capital in terms of outward FDI stock. The Netherlands also ranks fifth among global recipients of FDI (in terms of inward stock). The government of the Netherlands maintains liberal policies toward foreign direct investment and adheres to OECD investment codes.

¶3. The only Dutch exception to the principle of national treatment is in air transport. As in the U.S., nationality and ownership requirements apply for licenses to operate an airline, and the right to cabotage is reserved to national carriers. With the exception of a few public and private monopolies from which foreign and domestic private investment is banned, foreign firms are able to invest in any sector and are entitled under the law to equal treatment with domestic firms. These monopolies include the Netherlands Central Bank, the Netherlands railways, and public broadcasting. While the national airport Amsterdam Schiphol is currently included in this list, the Dutch state intends to privatize a minority share of the airport in the course of 2006

¶4. The Dutch comply with European Union reciprocity provisions in banking and investment services and in a few other areas. Provisions related to government incentives, national rules of incorporation, and access to the capital market are administered on a non-discriminatory basis. Business laws and regulations conform to international legal practices and standards and apply equally to foreign and Dutch companies. Companies established in the Netherlands are advised to follow the accounting guidelines published by the Dutch Accounting Standards Board (DASB) (www.rjnet.nl). Companies listed in the Netherlands are required to follow the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (www.iasb.org). Companies currently are not authorized to use U.S. accounting rules (US GAAP) in the Netherlands. Companies looking to invest in the Netherlands are advised to contact the tax service's APA/ATR ruling department (www.belastingdienst.nl) to get an advance ruling on the application of pertaining tax laws.

¶5. Structural and regulatory reforms have long been an integral part of a major reorientation of Dutch economic policy. Product market competition is strengthened through programs aimed at stimulating market forces, liberalization, deregulation and legislative quality combined with a tightening of competition policy. The government has reduced its role in the economy by introducing market forces in formerly public utility sectors. While the gas and electricity production sectors are gradually being opened up to foreign competition, government-controlled entities retain dominant positions in gas and electricity distribution, rail transport and the water sector. The government is reducing its share in the country's leading telecommunications provider and sold its controlling ('golden') share on December 16th, 2005.

¶6. Despite relatively high Dutch labor costs and labor market imperfections (complex labor laws resulting in restrictive hiring and firing practices for employers), foreign investors have found the Netherlands a favorable location for their European investment

projects. The Dutch actively solicit foreign investment through the Netherlands Foreign Investment Agency (NFIA) (www.nfia.com) and related regional economic development companies. Foreign direct investment is concentrated in growth areas including information and communication technology, biotechnology, medical technology and food processing. Investment projects are predominantly in contract manufacturing (high-tech assembly), distribution, and value-added logistics. International annual benchmark studies identify the Netherlands as one of the most popular locations for foreign Information and Communication Technology (ICT) in Europe, while also ranking the Dutch biotechnology sector among Europe's elite.

¶7. The Netherlands ranks among the countries with the largest number of broadband connections and the highest Internet penetration in the European Union. According to the Economic Intelligence Unit (EIU) e-commerce readiness survey (www.eiu.com), the Netherlands ranks eighth in the world thanks to continued rollout of broadband services, internet-related legislation and government broadband programs. In 2004, the government embarked on a broadband action program aimed at creating a regulatory framework that will stimulate and facilitate broadband development.

¶8. The Netherlands is particularly attractive for the establishment of European headquarters, European distribution centers, call centers and shared services centers. The port of Rotterdam serves as a link between international shipping lines and the European hinterland. Investment surveys indicate that U.S. investors favor the Netherlands as a location for European Distribution Centers (EDCs). An estimated 60 percent of U.S. companies with a distribution center in Europe have located it in the Netherlands. Examples include Cisco, Honeywell, IBM, ABM, Seagate, Western Digital, 3M, Amgen, Cannondale, Polaroid, Rank Xerox, and Medtronic. Following the introduction in the late 1990s of a more friendly tax regime, the number of European headquarters established in the Netherlands increased sharply to nearly ninety.

¶9. Foreign investors find the Netherlands attractive because of its stable political and macroeconomic climate, highly developed financial sector, the presence of a well-educated and productive labor force, and the high quality of the physical and communications infrastructure.

¶10. Various international surveys rank the Netherlands among the countries in the industrialized world with the most competitive economies and most favorable business and investment climate. The World Economic Forum (WEF) Growth Competitiveness Index puts the Netherlands eleventh among the world's most competitive economies. The Netherlands continues to rank ninth on the WEF Business Competitiveness Index. The Economist Intelligence Unit (EIU) ranks the Netherlands sixth on its 2005 global business environment ranking for the period up to 2009. The World Bank ranks the Netherlands twenty-fourth in terms of the ease of doing business in its Doing Business report, noting it as one of the top dozen reformers in the world.

¶11. The Netherlands is known for its favorable fiscal climate. Precise tax guidance given to foreign investors provides transparency with regard to long-term tax obligations. To this end, Advanced Tax Rulings (ATR), in combination with Advanced Pricing Agreements (APA), are guarantees given by local tax inspectors with regard to long-term tax commitments for a particular acquisition or green field operation.

¶12. Despite predominantly favorable business and investment conditions, other international organizations, including the World Economic Forum, flag an erosion of its competitive position as a major challenge confronting the Netherlands. More specifically, relatively high wage costs, relatively heavy administrative burden, structural imperfections in the road infrastructure, and a less than flexible labor market are cited as potential bottlenecks in attracting foreign direct investment to the Netherlands.

¶13. Sharper tax competition among EU Member States and measures by the European Commission aimed against national tax incentives with a subsidy element are also likely to affect the Dutch competitive environment. To this end, the Corporate Financing Arrangement (CFA) will be abolished in 2007 as a government subsidy harmful to EU tax competition.

¶14. There are no formal foreign investment screening mechanisms, and 100 percent foreign ownership is permitted in those sectors open to foreign investment. The rules on acquisition, mergers, takeovers, and reinvestment are nondiscriminatory. All firms must conform to certain rules of conduct on mergers and takeovers. The Social Economic Council (SER), an official advisory body composed of representatives of government, business and labor, administers Dutch merger and takeover rules. SER rules are intended, first and foremost, to protect the interests of stakeholders and employees. They include requirements for the timely announcement of merger and takeover plans and for discussions with trade unions. Surveys among European companies rank the Netherlands second after the United Kingdom for the transparency of its corporate governance practices. Despite the supposedly open

policy, elaborate corporate protective measures against hostile takeovers may de facto block acquisitions or takeovers by Dutch and foreign investors. The Dutch are working to further reduce these barriers within the framework of the EU's Financial Services Action Plan (FSAP) within the next few years. A corporate governance code of conduct that seeks to improve transparency in shareholder/management relations, as well as the structure and accountability of management, took effect in 2004. The code of conduct provides for a marginal reduction of takeover defenses.

¶15. The Netherlands maintains no preferential or discriminatory export or import policies with the exception of those that result from its membership in the European Union. The Dutch also abide by all internationally agreed strategic trade controls, (e.g. the Wassenaar Agreement). In summary, Dutch domestic restrictions on foreign investment remain minimal and no new ones are being planned. The Dutch investment climate should continue as it is, but will increasingly be influenced by EU policies.

A.2. Conversion and Transfer Policies

¶16. There are no restrictions on the conversion or repatriation of capital and earnings (including branch profits, dividends, interest, royalties), or management and technical service fees, with the exception of the nominal exchange license requirement for non-resident firms.

A.3. Expropriation and Compensation

¶17. The Netherlands maintains strong protection on all types of property, including private property, and the right of citizens to own and use property. Expropriation would only take place in the public interest and with adequate compensation. We have no reason to believe that it would be undertaken in a discriminatory manner or in violation of established principles of international law. Post is unaware of any recent expropriation claims involving the Dutch government and U.S. or other foreign-owned property.

A4. Dispute Settlement

¶18. Post is not aware of any investment dispute involving the Dutch government and U.S. or other foreign companies. The Netherlands is a signatory to the International Convention on Investment Disputes and a member of the International Center for the Settlement of Investment Disputes (ICSID). Although the central government has no rules regarding withdrawals of investment, occasionally trade unions go to court over company closures. This has occurred in the case of both domestic and foreign-owned firms.

A.5. Performance Requirements and Incentives

¶19. There are no trade-related investment performance requirements in the Netherlands. General requirements to qualify for investment subsidy schemes apply equally to domestic and foreign investors. There are no requirements for employment of local capital or managerial personnel. In practice, however, almost all chief executives of major U.S. subsidiaries in the Netherlands are Dutch or other EU nationals, because skilled managers are available at a cost less than that of posting an American abroad. In the case of staff personnel, however, Dutch (or other EU nationals) must be employed unless firms can demonstrate that a Dutch national cannot perform the job in question. This burden is eased by an existing provision that prior employment with the firm of at least two and a half years amounts to a presumption of unique qualifications for the job.

¶20. Limited, targeted investment incentives have long been a well-publicized tool of Dutch economic policy to facilitate economic restructuring and to promote energy conservation, regional development, environmental protection, R&D, and other national socio-economic goals. Subsidies and incentives are available to foreign and domestic firms alike and are spelled out in detailed regulations. Subsidies are in the form of tax credits that are usually disbursed through corporate tax rebates or direct cash payments in the event of no tax liability.

¶21. Reflecting the European Union's limits on direct government support, the Regional Investment Projects Subsidies Scheme (IPR) currently is the only major regional investment incentive still available to investors. The IPR aims to encourage corporate investment in parts of the country with a weaker economic structure (predominantly in the North, the East and the far South of the country) by giving an investment grant for new investments (industrial buildings and fixed assets) or the acquisition of land. Investment costs qualifying for IPR grants include costs incurred for the acquisition of land, necessary buildings and durable equipment. IPR cash grants of up to twenty percent of actual investment costs for new manufacturing operations, and fifteen percent on expanding operations, are available up to a maximum of approximately $15 million per project for new projects and $19 million for expanding operations. Because different

criteria for regional economic development apply in an expanded EU-25, Dutch investment subsidies under the IPR will be phased out in 2006 (for more information on regional investment grants consult www.bakernet.com, www.nom.nl, www.oostnv.nl or www.liof.nl).

¶22. Local investment subsidies are sometimes also available from regional development companies. Regional non-tax incentives are available in the form of cash grants, low-interest loans, and local government participation and export guarantees for selected areas. The growing number of tax incentives offered to investors in other EU countries has prompted the government to look into the possibilities of expanding existing tax instruments to improve aggressively the Dutch fiscal climate vis-a-vis that in competitor countries like Belgium, Germany and Ireland.

A.6. Right to Private Ownership and Establishment

¶23. There are full rights of private ownership and establishment of business enterprises in the Netherlands, except in the monopoly sectors noted in the introduction. Despite the fact that service providers must often meet stringent licensing requirements, numerous enterprises in the Netherlands are 100 percent owned by foreign firms, including many from the United States. Licenses are granted on the basis of competitive equality.

A.7. Protection of Property Rights

¶24. The Netherlands has a generally good set of legislation and regulations that protect intellectual property rights (IPR). However, the enforcement of anti-piracy laws remains a concern to producers of software and digital media (see below). The Netherlands belongs to the World Intellectual Property Organization (WIPO), is a signatory of the Paris Convention for the Protection of Industrial Property, and conforms to accepted international practice for the protection of technology and trademarks. The Dutch have been slow in implementing EU directives bringing domestic legislation in line with the WIPO 1996 Copyright Treaty (WCT), the WIPO Performance and Phonogram Treaty (WPPT), and the EU 98/44/EC directive. There is consensus among policy makers on the need for measures aimed at raising awareness of IPR rules and regulations and to strengthen enforcement.

¶25. Patents for foreign investors are granted retroactively to the date of the original filing in the home country, provided the application is made through a Dutch patent lawyer within one year of the original filing date. Patents are valid for 20 years. Legal procedures exist for compulsory licensing if the patent is inadequately used after a period of three years, but these procedures have rarely been invoked. Since the Netherlands and the United States are both parties to the Patent Cooperation Treaty (PCT) of 1970, patent rights in the Netherlands may be obtained if a PCT application is used. The Netherlands is a signatory of the European Patent Convention, which provides for a centralized Europe-wide patent protection system. This convention has simplified the process for obtaining patent protection in EU Member States. Infringement proceedings remain within the jurisdiction of the national courts, which could result in divergent interpretations detrimental to U.S. investors and exporters.

¶26. The enforcement of anti-piracy laws remains a concern to producers of software, audio and videotapes and textbooks from the United States. Organized optical disc software piracy and ecommerce piracy are also of major concern to the Dutch. Annual losses to the U.S. motion picture industry due to audiovisual piracy in the Netherlands have been estimated at tens of millions of dollars annually. The Dutch government has recognized the need to protect intellectual property rights and law enforcement personnel have worked with industry associations to find and seize pirated software. Dutch IPR legislation currently in place explicitly includes computer software as intellectual property under the copyright statutes.

A.8. Transparency of Regulatory System

¶27. Laws and regulations that affect direct investment, such as environmental rules, health and safety regulations, etc., are non-discriminatory and apply equally to foreign and domestic firms. Dutch tax law facilitates attracting non-Dutch personnel to live and work in the Netherlands. Currently, expatriate staff transferred to the Netherlands on a temporary contract can make use of the 30 percent ruling. The ruling provides that 30 percent of his/her gross employment income in the Netherlands is not taxable under Dutch personal income tax laws. This treatment is granted for a maximum of ten years. Furthermore, the expatriate is considered a non-resident, meaning that only income from Dutch sources is taxed in the Netherlands.

¶28. Dutch corporations and branches of foreign corporations currently are subject to a corporate tax rate of 29.6 percent (profits of up to 22,689 euros (roughly $27,500) are taxed at a rate of 25.5 percent) on taxable profits, which puts the

Netherlands in the top half of the corporate tax bracket in the EU. Dutch corporate taxation generally allows for the exemption of dividends and capital gains derived from a foreign subsidiary (participation exemption). Surveys into the corporate tax structure of EU Member States observe that both the corporate tax rate and the effective corporate tax rate in the Netherlands are higher than the European average. Nevertheless, the Dutch corporate tax structure ranks among the most competitive in Europe given other beneficial tax measures. The corporate tax rate will be reduced further to 29.1 percent (25 percent respectively) by ¶2007. No local Dutch income taxes are levied on corporations. Furthermore, the Netherlands maintains an extensive network of tax treaties with a large number of countries. A protocol amending the U.S.-Netherlands 1992 tax treaty took effect on December 28, ¶2004. The protocol modernizes anti-abuse rules to prevent exploitation of the treaty by third-country nationals. The protocol also eliminates source-country withholding taxes on certain inter-company dividends, thereby removing a remaining barrier to cross-border investment in both directions.

A.9. Efficient Capital Markets and Portfolio Investment
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¶29. Dutch financial markets are fully developed and operate at market rates, facilitating the free flow of financial resources. The Netherlands is an international financial center for the foreign exchange market and for eurobonds and bullion trade. The flexibility that foreign companies enjoy in conducting business in the Netherlands extends into the area of currency and foreign exchange. There are no restrictions on foreign investors' access to sources of local finance.

A.10. Political Violence

¶30. The Netherlands is noted for its stable political environment. Although political violence rarely occurs in the highly consensus-oriented Dutch society, a number of politically and religiously inspired acts of violence have recently led Dutch politicians to review integration policies. The Dutch economy derives much of its strength from a stable industrial climate fostered by partnership between unions, employers' organizations and the government. Strikes are rarely regarded as the primary means to settle labor disputes, and labor strikes in recent decades have been very rare.

A.11. Corruption

¶31. New anti-bribery legislation, implementing the 1997 OECD anti-bribery convention, became effective in 2001. The new anti-bribery law reconciles the language of the OECD anti-bribery convention with the EU fraud directive and the Council of Europe convention on fraud. It makes corruption by Dutch businessmen in landing foreign contracts a penal offense, and bribes are no longer deductible for corporate tax purposes. At a national level, Dutch Justice and Interior Ministries have taken steps to sharpen regulations to combat bribery in public procurement and in the issuance of permits and subsidies. Corruption scandals in the building sector have led NGO Transparency International to lower Dutch ranking on its Corruption Perception Index in 2005 from tenth to eleventh place.

¶B. Bilateral Investment Agreements

¶32. The Netherlands has signed bilateral investment agreements with a large number of countries including: Albania, Argentina, Armenia, Bangladesh, Belarus, Belize, Benin, Bolivia, Bosnia Herzegovina, Brazil, Bulgaria, Burkina Faso, Cambodia, Cameroon, Cape Verde, Chili, China, Costa Rica, Croatia, Cuba, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, the Gambia, Georgia, Ghana, Guatemala, Honduras, Hong Kong, India, Indonesia, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Laos, Lebanon, Macedonia (FYROM), Malawi, Malaysia, Mali, Mexico, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, the Philippines, Rumania, Russia, Senegal, Serbia and Montenegro, Singapore, South Africa, South Korea, Sudan, Sri Lanka, Surinam, Tajikistan, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen, Zambia, and Zimbabwe.

¶33. The Netherlands adheres to OECD codes on capital movements and invisible transactions, with the exceptions mentioned earlier. It maintains a treaty of Friendship, Commerce and Navigation with the United States that generally provides for national treatment and free entry for foreign investors, with certain exceptions. The Netherlands is also a member of the EU single market.

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¶C. OPIC and Other Investment Insurance Programs

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¶34. Dutch companies investing in developing countries through the establishment of subsidiaries or joint ventures can insure their

investment against non-commercial risks with the privately-owned credit insurance company Atradius (formerly Gerling NCM) under the 1969 Investment Reinsurance Act (WHI). Atradius reinsures its political risks with the Ministry of Finance. Dutch investors have not heavily utilized this insurance program, however, and efforts are underway to find ways of making the program more effective.

¶35. According to Article 7b of the WHI, reinsurance of investment in LDC's (Less Developed Countries) can be provided only if a satisfactory agreement has been reached with the recipient country regarding regulations that will apply to Dutch investment in that country. The act covers procedures that will be followed in the case of a dispute between the investor and the host country on recovery of indemnity resulting from the insurance of the investment. Investment in countries with which the Netherlands has concluded a bilateral investment treaty is eligible for coverage under the Investment Reinsurance Arrangement (IRA). The Netherlands is a member of the Multilateral Investment Guarantee Agency (MIGA).

¶D. Labor

¶36. The Dutch workforce is well educated and multilingual. As a result of the current economic downturn, employment growth has been decelerating, resulting in an increase in the level of unemployment. With an unemployment rate of 6.0 percent in the fourth quarter of 2005 (down from 6.3 percent during the same quarter in 2004), the official unemployment rate remains well below the EU average.

¶37. The Netherlands currently has the highest part-time work rate in the OECD, which has contributed to greater labor market flexibility. A substantial increase in the participation of women in the workforce led the share of part-time workers in the total working population to increase to more than 40 percent. Labor market participation, especially by elderly workers, is slowly but gradually growing from a low of 60 percent in the early 1990s to more than 70 percent of the potential labor pool in 2005. Increased labor market participation is regarded as critical to ensuring continued economic growth and to coping with the impact of a rapidly aging population.

¶38. The Dutch government's job creation policy is focused on the following elements: reducing the general burden of taxes and social security contributions, moderating growth in wage levels, improving productivity, strengthening the economic structure, reducing the regulatory burden on business, and promoting innovation. In addition, the Dutch government has taken measures to improve labor market flexibility. This combination of greater (but not full) labor market flexibility, consensual wage restraint, and a lowering of the tax burden and social security contributions is seen as the key to economic recovery.

¶39. Workers may be found through government-operated labor exchanges, a rapidly growing number of private employment firms, or directly through, for example, newspaper advertisements. The official average workweek has long been 38 hours, but work-shortening programs (ADV) have effectively reduced the average workweek in some sectors of the economy (notably in banking and insurance) to 36 hours. The trend towards shorter working hours (and early retirement) with the objective of creating jobs or avoiding layoffs was reversed in 2004. Faced with sharply rising costs related to the rapidly aging Dutch population, government labor market polices are increasingly geared toward higher contributions by the productive labor force by expanding working hours. In 2004, Parliament thus reached agreement to amend current labor laws, allowing the maximum workweek to increase from an average of 50 hours to 60 hours. In a related move, workers' rights for working breaks are likely to be curtailed. New legislation has also been adopted which will increase the flexibility in the operating hours of companies and shops.

¶40. The average contract wage increased in 2005 by 1.3 percent, the same as in 2004. Average per unit wage costs in 2005 grew by 0.4 percent after an average 2.25 percent wage cost decline in 2004 and are expected to decrease by 0.9 percent in 2006. The average wage cost rise in the Netherlands is among the lowest in the European Union after Germany and Austria. Surveys of average annual labor costs (base pay plus employers' social security costs, mandatory benefits and voluntary benefits) across the EU rank the Netherlands ninth after countries such as the UK, Germany, France, Sweden and Denmark.

¶41. Benchmark reports by the European Industry Federation (UNICE) observe that, despite relatively high wage costs, the Netherlands has one of the highest levels of labor productivity in manufacturing. In order to reduce growth in unit labor costs, the Dutch government has significantly reduced employers' costs for workers who earn the $1,531 per month minimum wage or slightly above by providing tax breaks. It has also called on organizations of employers and workers to create jobs at the lowest end of the wage scale.

¶42. Labor/management relations in both the public and private sectors are generally good in a system that emphasizes the concept of social partnership. Although wage bargaining in the Netherlands is increasingly decentralized, there still exists a central bargaining apparatus where labor contract guidelines are established. About 75 percent of all Dutch workers are currently covered by union contracts that are negotiated on a sector basis with employers associations and, if accepted by the government, are extended by law to the entire sector. Some sector labor contracts (e.g., road transport and haulage) are relatively inexpensive, while others (e.g., metal) are more costly. To avoid surprises, potential investors are advised to consult with local trade unions to determine which, if any, labor contracts apply to workers in their business sector prior to making an investment decision. Collective bargaining agreements negotiated in the past few years have, by and large, been accepted by the rank and file without much protest, despite only moderate wage rises. Days lost to strikes are relatively low.

¶43. The Dutch economy derives its strength from free trade and a stable industrial climate fostered by partnership among unions, employers' organizations and the government. There is substantial labor involvement in corporate decision-making on matters affecting workers. Each company in the Netherlands with at least 50 workers is required by law to institute a Works-Council, with which management must consult on a range of issues including investment decisions. Legislation implementing the EU Work Council Directive came into effect in 1998. The Dutch government also agreed to introduce legislation governing employee participation of European companies (companies operating in at least two EU member states). Under this legislation, company founders and its workers must conclude an agreement on employee participation. Trade unions and management are generally receptive to foreign investment, especially where this leads to improved employment possibilities and related benefits. U.S. companies generally perceive works councils as contributing to better management-worker relations and a benefit to the company.

¶E. Foreign-Trade Zones/Free Ports

¶44. The Netherlands has no free trade zones or free ports in the sense of territorial enclaves where commodities can be processed or reprocessed tax-free. There are, however, a large number of customs warehouses (EU category A through E, but no category A and F or "free zones") and free warehouses at designated places and international airports where goods in transit may be temporarily stored under customs supervision. Goods may be repacked, sorted or relabeled.

¶F. Foreign Direct Investment Statistics

¶45. Cumulative U.S. direct investment in the Netherlands totaled $202 billion in 2004, according to the U.S. Bureau of Economic Analysis, the third highest such total worldwide (industry breakdown in paragraph 50 below). The U.S. data, which include reinvested earnings, show an FDI inflow from the U.S. to the Netherlands of $13 billion in 2004.

¶46. Official Dutch government statistics on the level of FDI in the Netherlands (by country of origin and industry sector), and comparable data covering the stock of Dutch FDI abroad, are compiled by the Netherlands Central Bank (NB) on an ad hoc basis (http://dsbb.statistics.nl). The NB's FDI inflows are based on sources of capital transactions rather than on actual "by country" investment outlays; the NB's FDI data differ substantially from those published by the U.S. Bureau of Economic Analysis.

¶47. The NB's FDI statistics reveal that the total stock of FDI in the Netherlands amounted to 368 billion euros (roughly $440 billion), about 75 percent of GDP, at the end of 2004. The FDI to GDP ratio in the Netherlands continues to be among the highest in the EU. According to NB data, total net FDI inflows into the Netherlands continue to drop sharply, down from 13 percent of GDP in 2001, 6 percent in 2002, 4 percent in 2003, and almost 0 percent in 2004. This last figure is due to a significant decrease in investment from other European countries and a negative flow from the US of almost 8 billion euros.

¶48. Foreign companies established in the Netherlands account for roughly one-third of industrial production and employment in industry. At the end of 2004, an estimated 31.5 percent of foreign establishments in the Netherlands came from the U.S., 19.5 percent from Germany, 14 percent from the UK, 7 percent from Scandinavia, 17 percent from the rest of Europe, 9 percent from Asia and the remaining 2 percent from other non-OECD and non-EU countries.

¶49. The top fifteen U.S. investors in the Netherlands, ranked by sales (investment outlays are protected) include: Cisco Systems International BV, Sara Lee/DE NV, Phillip Morris Holland BV, Cargill BV, Esso Nederland BV (Exxon Mobil Corp.), Lucent Technologies Nederland BV, Sun Microsystems Nederland BV, Merck

Sharp & Dohme BV, Dow Benelux NV, Alcoa Europe Holding BV, IBM Nederland NV, Daimler Chrysler Nederland NV, Hewlett-Packard Nederland BV, Du Pont de Nemours Nederland BV, Masterfoods Veghel BV.

¶50. Other prominent U.S. investors in the Netherlands include 3M Nederland BV, Amgen BV, Abbott Labs, Lyondell Chemical Nederland BV, and Starbucks, General Electric Plastics Europe BV, Honeywell BV, Eastman Chemical Europe BV (for testimonials, see www.nfia.com)

¶51. Extent of U.S. Investment in Selected Industries - U.S. Direct Investment Position in the Netherlands on a historical cost basis - 2004 (Millions of U.S. Dollars)
Category (Amount)
All Industries (201,918)
Total Manufacturing (24,997)
Of which: Chemicals & Allied products (12,069)
Of which: Food & Kindred products (4,075)
Of which: Primary & Fabricated Metals (2,591)
Of which: Electric & Electronic Equipment (1,718)
Of which: Transportation Equipment (1,216)
Of which: Industrial Machinery & Equipment (851)
Finance incl. Depository Inst. (22,529)
Wholesale Trade (13,397)
Information (4,431)
Petroleum (3,850)
Services (1,573)
Utilities (102)
Other Industries (131,095)
Source: USDOC, BEA

¶52. Web Resources

http://www.bakernet.com
http://www.bea.gov
http://www.belastingdienst.nl
http://www.cbs.nl
http://www.cpb.nl
http://dsbb.statistics.nl
http://www.eiu.com
http://www.iasb.org
http://www.imf.org/external/country/nld/index .htm
http://www.nom.nl
http://www.liof.nl
http://www.nfia.com
http://www.oecd.org
http://www.oostnv.nl
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